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BUSINESS ENVIRONMENT – CONCEPTUAL FRAMEWORK AND POLICIES

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ABSTRACT

Businesses do not operate in a vacuum; they operate in an environment. In this lesson, you will learn about the business environment, including what makes it up. The objectives of this paper are to develop ability to understand and scan business environment in order to analyse opportunities and take decisions under uncertainty; and to study the nature, scope and importance of business environment. Business environment is dynamic concept or a phenomenon what with emerging trends in business ethics, corporate social responsibility, corporate governance, consumer citizenship etc. Every from/manager should have a strong conceptual and policy framework to support development and use of business and environmental information in decision-making.

Keywords: Analysis, Business, Environment, Polices, Scanning

Introduction

'Business and society should be setting higher horizons when considering ethical values in business. Society should not opt out from setting the framework within which business operates. Business would then be set free to generate surpluses and dispose of them within that framework, in the best possible ethical taste of human relations' - Peter Miles.

The formula for business success requires two elements – the individual and the environment. Business means an economic activity of generating income through buying and selling, manufacturing and rendering auxiliary services to trade. The term "Environment" refers to anything which surrounds a system. Therefore Business Environment means the surroundings (including human beings) in which business exists.

Every business operates in a particular environment and each business unit has its own environment. A change in environment presents opportunity to some and threats to others. Business environment is defined as the combination of internal and external factors that influence a company's operating situation, including employees, customers, management, supply and demand and business regulations. The business environment can include factors such as: clients and suppliers; its competition, and owners; improvements in technology; laws and government activities; and market, social and economic trends. Another expert has defines business environment as 'the forces, factors and institutions with which the businessman has to deal with to achieve its objectives'.

Thus, Business Environment is the sum total of all external and internal factors that influence or affect a business together. Business environment being a dynamic concept or a phenomenon what with emerging trends in business ethics, corporate social responsibility, corporate governance, consumer citizenship etc. every firm/manager should have a strong conceptual and policy framework to support development and use of business and environmental information (e.g. geo-spatial data) in decision-making. The framework would help identify business/environmental values, goals and priorities on a geographical basis at various spatial scales. According to Miller and Redding, 'In any field of study or activity, including financial accounting, there are a number of reasons for developing a conceptual framework, which is a collection of broad rules, guidelines, accepted truths, and other basic ideas about the field.[1]

Approaches to and Factors of Business

Traditional managerial models typically assume that managers, instead of maximising profit, maximise a simple objective utility function (this may include salary, perks, security, power, prestige) subject to an arbitrarily given profit constraint (profit satisficing). The behavioural approach, as developed in particular by Richard Cyert and James G. March of the Carnegie School places emphasis on explaining how decisions are taken within the firm, and goes well beyond neo-classical economics. Much of this depended on Herbert A. Simon's work in the 1950s concerning behaviour in situations of uncertainty, which argued that 'people possess limited cognitive ability and so can exercise only 'bounded rationality' when making decisions in complex, uncertain situations'. Recently, Yochai Benkler further questioned the rigid distinction between firms and markets based on the increasing salience of "commons-based peer production" systems such as open source software (e.g. Linux), Wikipedia, Creative Commons, etc.

Many factors influence the firm in inclusive and integrated business. This happens in a continuum of clusters. For instance, a healthy and safety regulation is an external factor that influences the internal environment of business operations. You should keep in mind that external factors and internal factors could influence each other and work beyond your control. External factors are often called external constraints. Let us take a look at some key environmental factors.

(A) External Factors

1. Political factors are governmental activities and political conditions that may affect your business. Examples include laws, regulations, tariffs and other trade barriers, war, and social unrest. For example, a change in legislation such as the smoking ban indirectly affects pubs and restaurants.
2. Economic Factors (a) Macroeconomic factors i.e. factors that affect the entire economy, not just your business. Examples include things like interest rates, unemployment rates, currency exchange rates, consumer confidence, consumer discretionary income, consumer savings rates, recessions, and depressions; and

   (b) Microeconomic factors i.e. factors that can affect your business, such as market size, demand, supply, relationships with suppliers and your distribution chain, such as retail stores that sell your products, and the number and strength of your competition.
3. Social factors are basically sociological factors related to general society and social relations that affect your business. Social factors include social movements, such as environmental movements, as well as changes in fashion and consumer preferences. For example, clothing fashions change with the season, and there is a current trend towards green construction and organic foods.
4. Technological factors are technological innovations that can either benefit or hurt your business. Some technological innovations can increase your productivity and profit margins, such as computer software and automated production. On the other hand, some technological innovations pose an existential threat to a business, such as Internet streaming challenging the DVD rental business.

Thus, external factors are factors which are beyond the control of the business: (STEP) – social, Technological, Economic and Political Changes in the macro environment.

(B) Internal Factors

The internal business environment includes factors within the organisation that impact the approach and success of your operations. They are as follows.

1. **Organisational Culture: -** This factor is also referred to as "value system". It is the framework of values[2], vision, norms, and customs shared by the members of an organisation. Your business culture affects how the employees in your business interact with each other, its customers, and other stakeholders.[3] The value system and ethical standards are also among the factors evaluated by many companies in the selection of the suppliers, distributors, collaborators etc. Corporate Social Responsibility (CRS) emerges from this system.
2. **Organisational Direction: -** It can also be called as "company leadership". The role of company leadership – along with internal power relationship (i.e. management structure) – is an important internal business factor. Your leadership style and the styles of other company management impact organisational culture. The positive or negative nature, level of family-friendliness, effectiveness of communication and value of employees are cultural implications that result from leadership approaches. Companies often provide formal structure or direction with mission and vision statements. These forward-looking statements provide the business for company decisions and activities.
3. **Mission and Objectives: -** This factor is known as the "Vision and Mission" of the company. The mission and objectives of the company guide the business domain of the company, and its priorities, directions of development, business philosophy, business policy etc. Ranbaxy's thrust in to the foreign markets and development have been driven by its mission "to become a research based international pharmaceutical company." Arvind Mills' mission – "to achieve global dominance in select businesses built around our core competencies through continuous product and technical innovation, customer orientation and focus on cost effectiveness" – has driven its future development strategy including the portfolio strategy, and indicated the thrusts required in the functional areas to help achieve the mission.
4. **Management Structure and Nature: -** Structure is the manner or hierarchical relationship in which the tasks and sub-tasks of the organisation are related. The organisational structure, the composition of the Board of Directors, professionalization of management etc., are important factors influencing business decisions. Some management structures and styles delay decision making while some others facilitate quick decision-making. The Board of Directors being the highest decision making body which sets the direction for the development of the organisation and which oversees the performance of the organisation, so the quality of the board is very critical factor for the development and performance of the company.
5. **Human Resources: -** The characteristics of the human resource like skill, quality, morale,

commitment, attitude etc., could contribute to the strength and weaknesses of an organisation. Some organisations find it difficult to carry out restructuring or modernisation because of resistance by employees whereas they are smoothly done in some others. Human Resource Management (HRM) has become more relevant in business management together with business intelligence and business ethics.

6. **Miscellaneous factors: -** Other common internal factors fall into several categories, including (a) firm's business intelligence, (b) company's brand image and brand equity[4] etc.

   In conclusion, we may state that –

   The internal environment = RESOURCES & LEADERSHIP

   The external environment = GENERAL & COMPETITIVE

Features of Business Environment

The characteristics of business environment are –

- The environment of business is not a 'one' thing; it is **totality of forces or factors, some specific, some general, yet co-related**
- The business environment is dynamic in nature, which means, it keeps on changing.
- The changes in business environment are unpredictable. It is very difficult to predict the exact nature of future happenings and the changes in economic and social environment
- Business Environment differs from place to place, region to region and country to country. Political conditions in India differ from those in Pakistan. Taste and values cherished by people in India and China vary considerably.

Thus, business environment is complex, dynamic, relative and multifaceted. It has far-reaching impact on organisations in that the growth and profitability of an organisation depends critically on the environment in which it exists; may be an opportunity or a threat. For example, the liberalisation in 1991 opened lot of opportunities for companies like Hindustan Uniliver, which took the advantage to acquire companies like Lakme, TOMCO, and KISSAN etc.

Importance of Business Environment

- **Image Building:** Environmental understanding helps the business organisations in improving their image (reputation) by showing their sensitivity to the environment within which they are working. For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power. Similarly, GE is said to be image conscious. It divested its computer and air-conditioning business because they could not attain 1st or 2nd position in the business as per their policy. Now they are snickering to out sourcing in India, aircraft engineering, plastic etc.
- **Meeting Competition:** It helps the firms to analyse the competitors' strategies and formulate their own strategies accordingly. Competition becomes meaningful where there is competitiveness. Strategists can gather qualitative information regarding business environment and utilising them in formulating effective plants. For example: ITC Hotels foresaw bright opportunities in the travel and tourism industry and started building hotels in India and abroad.
- **Identifying Firm's Strength and Weakness:** Business environment helps to identify the individual strengths and weaknesses in view of the technological and global developments. SWOT (strengths, weaknesses, opportunities, threats) analysis is integral to a firm's potential and performance. Business Environments provide constraints as well as opportunities for the businessperson. For example, the regulation such as MRTP Act and wealth restriction put constraints on the businessperson. On the other hand, the liberalisation policies, import relaxation policies bring opportunities for the businessperson.

Dimensions of Business Environment

Business environment is not one-dimensional. There are five dimensions of business environment. They are: (i) revenue, (ii) cost, (iii) assets and liabilities, and (iv) strategy

1. **Revenue**: -business revenue depends on several factors, such as pricing power, competition and product quality. A business with a reputation for high-quality products may have pricing power, which means that it may be able to increase selling prices to offset increases in raw material costs and wages. The competitive environment can affect revenue in two ways: First, a small business may not be able to increase prices if it is in a very competitive market; second, a business may have to change its product mix and product designs to respond to the competition.
2. **Cost**: Cost and revenue are important dimensions because they determine profitability. During economic downturns, businesses reduce costs to maintain profitability. During periods of strong economic growth, a small business may experience increases in input costs, such as raw materials prices and wages. However, during economic downturns, input cost pressures may ease as businesses scale back manufacturing operations and lay off staff. Supply contracts may also affect cost. For example, if a restaurant owner can negotiate discount prices for flour and eggs, operating costs would drop and profits would rise.
3. **Asset & Liabilities**: Assets include cash and

inventory, while liabilities include short-term and long-term debt. Small businesses that have too much debt may lose operational flexibility because of interest expenses, especially in a period of rising rates. Although significant cash balance acts as a safety cushion during downturns, companies with too much inventory and accounts receivable may risk cash flow shortfalls.

4. **Strategy**: - Successful businesses anticipate and embrace change. They know how to balance day-to-day operational management with long-term strategic thinking, which includes forming partnerships and exploring mergers to grow market share. Strategic management also involves communicating plans and expectations to stakeholders, especially during uncertain economic times.
5. **Stakeholders**: - Stakeholders are another important dimension of the business environment. In addition to the founders, suppliers, customers and employees, public companies must deal with boards of directors, investors, stock market analysts, business reporters, and regulatory authorities.

Environmental Scanning of Business

Environmental scanning refers to careful monitoring of an organisation's internal and external environments for detecting early signs of opportunities and threats that may influence its current and future plans. In comparison, surveillance is confined to a specific objective or a narrow sector. When a firm undertakes the monitoring, assessing and forecasting of business environment it is called as environmental scanning of business.

Environmental scanning is a process of gathering, analysing, and dispensing information for tactical or strategic purposes. The environmental scanning process entails obtaining both factual and subjective information on the business environments in which a company is operating or considering entering

Chun Wei Choo, Faculty of Information Studies, University of Toronto, Canada writes, “Environmental scanning is the acquisition and use of information about events, trends, and relationships in an organisation's external environment, the knowledge of which would assist management in planning the organisation's future course of action”.

Thus, environmental scanning means viewing the (business) world by undirected viewing or conditioned viewing or informal searching or formal searching. In simple, it means methods of gathering the relevant information for appraising the environment.

Need for and Importance of Scanning of Business

William Glueck mentions four techniques for environmental analysis verbal and written information; search and scanning; spying; and forecasting and formal studies. Environmental analysis will help the firm to understand what is happening both inside and outside the organisation and to increase the probability that the organisational strategies developed will appropriately reflect the organisational environment. Even when the required information is out there (somewhere!), it may not become readily available. Search and scanning, therefore, are needed to identify the sources of information and the methods to manage the available information – ranging from clipping service (e.g. scan newspapers) to management information system (MIS),

Environmental scanning is necessary because there are rapid changes taking place in the environment that has a great impact on the working of the business firm. Analysis of business environment helps to identify strength weakness, opportunities and threats. SWOT analysis is necessary for the survival and growth of every business enterprise. It is important due to the following reasons.

1. Identification of strength:

Strength of the business firm means capacity of the firm to gain advantage over its competitors. Analysis of internal business environment helps to identify strength of the firm. After identifying the strength, the firm must try to consolidate or maximise its strength by further improvement in its existing plans, policies and resources.

2. Identification of weakness:

Weakness of the firm means limitations of the firm. Monitoring internal environment helps to identify not only the strength but also the weakness of the firm. A firm may be strong in certain areas but may be weak in some other areas. For further growth and expansion, the weakness should be identified so as to correct them as soon as possible.

3. Identification of opportunities:

Environmental analyses helps to identify the opportunities in the market. The firm should make every possible effort to grab the opportunities as and when they come.

4. Identification of threat:

Business is subject to threat from competitors and various factors. Environmental analyses help them to identify threat from the external environment. Early identification of threat is always beneficial as it helps to diffuse off some threat.

5. Optimum use of resources:

Proper environmental assessment helps to make optimum utilisation of scare human, natural and capital resources. Systematic analyses of business environment helps the firm to reduce wastage and make optimum use of available resources, without understanding the internal and external environment resources cannot be used in an effective manner.

6. Survival and growth:

Systematic analyses of business environment help the firm to maximise their strength, minimise the weakness, grab the opportunities and diffuse threats. This enables the firm to survive and grow in the competitive business world.

7. To plan long-term business strategy:

A business organisation has short term and long-term objectives. Proper analyses of environmental factors help the business firm to frame plans and policies that could help in easy accomplishment of those organisational objectives. Without undertaking environmental scanning, the firm cannot develop a strategy for business success.

8. Environmental scanning aids decision-making:

Decision-making is a process of selecting the best alternative from among various available alternatives. An environmental analysis is an extremely important tool in understanding and decision-making in all situation of the business. Success of the firm depends upon the precise decision making ability. Study of environmental analyses enables the firm to select the best option for the success and growth of the firm.

Objectives and Goal of Environmental Scanning

The main objectives are –

- detecting scientific, technical, economic, social, and political trends and events important to the institution,
- defining the potential threats, opportunities, or changes for the institution implied by those trends and events,
- promoting a future orientation in the thinking of management and staff, and
- alerting management and staff to trends that are converging, diverging, speeding up, slowing down, or interacting

The goal of environmental scanning is to alert decision-makers to potentially significant external changes before they crystallize so that decision-makers have sufficient lead-time to react to the change.

Approaches to and Techniques of Environmental Scanning and Monitoring

Experts have suggested three approaches, which could be adopted for, sort out information for environmental scanning. They are as follows.

1. *Systematic Approach:*

   Under this approach, information for environmental scanning is collected systematically. Information related to markets and customers, changes in legislation and regulations that have a direct impact on an organisation's activities, government policy statements pertaining the organisation's business and industry, etc., could be collected continuous updating such information is necessary not only for strategic management but also for operational activities.

2. *Ad hoc Approach:*

   Using this approach, an organisation may conduct special surveys and studies to deal with specific environmental issues from time to time. Such studies may be conducted, for instance, when organisation has to undertake special projects, evaluate existing strategy or devise new strategies. Changes and unforeseen developments may be investigated with regard to their impact on the organisation.

3. *Processed-form Approach:*

   For adopting this approach, the organisation uses information in a processed form available from different sources both inside and outside the organisation. When an organisation uses information supplied by government agencies or private institutions, it uses secondary sources of data and the information is available in processed form.

The popular techniques of environmental scanning are:

(1) SWOT Analysis (2) QUEST Analysis (3) PESTLE Analysis (4) Industry Analysis and (5) Competitor Analysis

SWOT ANALYSIS:

In this technique firm will study its strengths and weaknesses in terms of finance, intellectual capital, location etc., and opportunities and threats like takeovers and mergers, market trends, strategic alliances, global recession, entry of rival firms, legal reforms etc.

QUEST ANALYSIS:

QUEST stands for Quick Environmental Scanning Technique. It is a four step process which uses scenario – writing for scanning the environment and identify the strategic options. The Four steps involved in applying this technique are –

i. Observe and identify the major trend and events in the industry,
ii. Speculate on the major events or issues that might affect your organisation,
iii. Prepare a Report containing summary findings and their implications and 3-5 scenarios related to the themes or issues, and
iv. Review the report and come out with feasible strategic options to deal with the evolving environment of business.

PESTLE ANALYSIS:

PESTLE analysis involves identifying the political, economic, socio-cultural, technological, legal and environmental influences of an organisation or policy in the past, and how they might do so in future. PESTLE should be done before SWOT not after. If education and demographics are added to PESTLE it becomes STEEPLED.

INDUSTRY ANALYSIS:

An industry is a group of firms producing a similar product or service.
An examination of the important stakeholders' group in a particular corporation's task environment is a part of industry analysis. A corporation is most concerned with the intensity of competition within its industry. The level of this intensity is determined by basic competitive forces. In scanning its industry, the corporation must assess the importance to its success of each of the six forces. Example: - Is Pepsi Cola a substitute for Coca-Cola? At face value many would say that they could be substitutes for one another because they are both cola drinks. However, after industry analysis you will know that these two drinks are not substitutes of one another, but are rather two brands of the same product. Utilising an industry analysis will help you to go beyond the obvious when considering the critical components within an industry.

COMPETETITOR ANALYSIS:

A competitive analysis involves looking at those that compete in with you (firm) in your market place (industry), and using information about your competitors to identify where your strengths are relative to those competitors. One of the principles for becoming competitive is to leverage your strengths with respect to competitors, and minimise your weaknesses with respect to competitors. Competitor analysis in marketing and strategic management is an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides both an offensive and defensive strategic context to identify opportunities and threats. For this, you must have your competitor's profile! A competitive analysis is useful, not only where companies compete for the dollars of consumers (e.g. in the retail arena, or restaurants or hotels), but can also apply to non-profit and charitable organisations. While it's a different kind of competition, these kinds of organisations compete for volunteers, donations and so on, even if the intent is quite different. Clearly most non-profits don't want to damage their "competitors" (other non-profits also doing good works), but they do need to consider that there is a form of competition in play

Barriers to Environmental scanning

Even when we are in the middle of the GPS (Global Positioning System) revolution, environmental scanning of business is not so easy. Some of the limitations or challenges faced in environmental scanning are –

- Huge volume of information to be dealt with (information overload!)
- Some missing information, increased oversight and litigation
- Difficulty of interpreting the information – source, relevance and reliability
- Negative impact of scanning on organisation – making you defensive
- The thinning of interprovincial trade barriers – global presence of people (Diaspora) and products
- The on-going challenge of building confidence in corporate governance – from government regulation to self-regulation[5]
- Fast obsolescence of technology: need to know technology of tomorrow (e.g. advances in nanotechnology)
- Changing Values, Culture and Systems. For instance, one expert explains, "Feminism today is like fluoride; we scarcely notice that we have it." In money market, we have new intermediaries like the Business Correspondents. In music and dance generation has changed from big band (1920s), rock & roll (40s-60s) to rap (60s-70s) to hip hop of today, still in between we have some contemporary and some (con)fusion!
- High level of instability. Market stability is threatened by short product life cycles, short product design cycles, new technologies, frequent entry by unexpected outsiders, repositioning by incumbents and tactical redefinition market boundaries as divers industries merge

Thus, environmental scanning is a useful and difficult exercise at the same time. You may call it environmental scanning or environmental monitoring and assessment, the practice has come to stay. Modern businesses have embarked upon strategic environmental assessment (SEA) that takes them beyond decision-making to appraisal and futuristic integration.

Economic Environment of Business

Economic environment is a very important component of a business environment.Business is an economic activity. Business environment can be defined as "the forces, factors and institutions with which the businessman has to deal with to achieve its objectives". In general, we can say that business environment is the surroundings in which business exists. The business environment consists of economic environment and non-economic environment

The economic environment of business refers to the economic factors or forces that shape and influence business. According to Mohinder Kumar Sharma, the production, exchange, distribution and consumption of material products in a society forms the economic environment of that society.

The economic environment contains three important elements or forces viz. Economic Conditions, (2) Economic Policies, and (3) Economic Systems. The elements are explained below.

1. Economic Conditions

The existing economic conditions and the development and level of business are interrelated. The economic conditions of a nation refer to a set of economic factors that have great influence on business organisations and their operations. These include size, composition and growth of gross domestic product, and per capita income; markets for goods and services; availability of capital, and foreign exchange reserves; growth of foreign trade; strength of capital market; productivity of factors and factor rewards; structure of banking and finance; impact of business cycle; role of entrepreneurship etc. All these help in improving the pace of economic growth. For example, the recessionary phase of business cycle curtails employment, production and profits in business and marketers must react in order to revive and boost consumer confidence and business performance. Thus, the importance of economic conditions for a business is related with the business opportunities and expectations.

2. Economic Policies

All business activities and operations are directly influenced by the economic policies framed by the government from time to time. Some of the important economic policies are: (i) Industrial policy (ii) Fiscal policy (iii) Monetary policy (iv) Foreign investment policy (v)Export-Import policy (Exim policy).

The government keeps on changing these policies from time to time in view of the developments taking place in the economic scenario, political expediency and the changing requirement. Every business firm has to function strictly within the policy framework and respond to the changes therein.

(i) **Industrial policy**: - The Industrial policy of the government covers all those principles, policies, rules, regulations and procedures, which direct and control the industrial enterprises of the country and shape the pattern of industrial development (e.g. SEZ Policy)

(ii) **Fiscal policy**: - It includes government policy in respect of public expenditure, taxation, public debt, and fiscal management (e.g. deficit financing).

(iii) **Monetary policy**: - It includes all those activities and interventions that aim at smooth supply of credit to the business and a boost to trade and industry (e.g. RBI policy of SLR)

(iv) **Foreign investment policy**: - This policy aims at regulating the inflow of foreign investment in various sectors for speeding up industrial development and take advantage of the modern technology (e.g. FDI policy, FEMA etc.)

(v) **Export–Import policy (EXIM policy)**: - It aims at increasing exports and bridging the gap between expert and import. Through this policy, the government announces various duties/levies. The focus now-a-days lies on removing barriers and controls and lowering the custom duties.

3. Economic Systems

An economic system (or mode of production) is a system of production and exchange of goods and services as well as allocation of resources in a society. It includes the combination of the various institutions, agencies, entities (or even sectors as described by some authors) and consumers that comprise the economic structure of a given community. A related concept is the mode of production. The world economy is primarily governed by three types of economic systems, viz., (i) Capitalist economy; (ii) Socialist economy (e.g. the former USSR); and (iii) Mixed economy. In a capitalist economy (e.g. USA), there is economic liberty and free (private) enterprise. In a socialist economy, there is state (public) control of economic resources and planning. India has adopted the mixed economy system, which implies co-existence of public sector (state planning), and private sector (corporate governance). After the initiation of economic reforms and very recently, however, the Planning Commission has been dismantled and in its place the NITI (National Institution for Transforming India) has be set up by the Union Government. This is in keeping with the market *mantra* or the philosophy of liberalisation, globalisation and privatisation (LPG). At the same time, there is a growing trend of public-private partnership (PPP) in businesses.

Economic system followed in a country has a lot of influence in determining economic environment. If it is a capitalist economy, market mechanism process would be the chief deciding factor about quality, quantity, price of a product. A socialist economy would go in for mass consumption products. In a mixed economy, however, there are all sorts of features, viz., features of market economy as well as socialistic outlook.

Thus, it is undeniable that individual business enterprise has very limited option to have a proactive role in determining its environment but they may form trade associations like CII, FICCI, and ASSOCHAM to exert their influence on changing government policies or bringing the policies in their favour.

Conclusion

The significance of economic environment of business – theoretically and practically – is manifold. It tells the business manager what are the factors that she can control and what he has no control over. In modern businesses, internal mercerization is a fast changing paradigm. Therefore, the firm manager has to always analyse the economic environment. Heavy investments and keen competition necessitates the knowledge of economic environment of business. Since firm has to interact with society and policy-makers on a day-to-day basis, it has to be thorough with all policies, practices affecting business. Only then firms can make better decisions in time and space for a sustainable business.

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1. See B.W. Miller and R. Redding, The FASB: The People, the Process and the Politics, Irwin Inc., USA, 1986.

2. A value is an enduring preference as a mode of conduct or an end state. The value system of the founding fathers of the organisation has a lasting impact on it.

3. The value system of the founders and those at the helm of the affairs has important bearing on the choice of business, the mission and objectives of the organisation, business policies and practices. After the EID Parry group was taken over by the Murugappa group, one of the most profitable businesses (liquor) of the ailing Parry group was sold off, as the liquor-business did not fit into the value system of the Murugappa group.

4. Brand Equity' means the value premium that a company realises from a product with a recognisable name as compared to its generic equivalent. Companies can create brand equity for their products by making them memorable, easily recognisable and superior in quality and reliability.

5. An industry attempts to police itself. The best-known self-regulatory group is the Better Business Bureau (BBB).